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NABE Industry Survey

January 1991

This report presents the responses to NABE's latest business conditions survey conducted in January. This survey is one of three taken by NABE; the other inquiries are the NABE Outlook and the NABE Policy Survey. For NABE membership information, contact the address below.

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Highlights

* Demand growth in the fourth quarter fell to the lowest level since the end of the last recession.
* The capital spending outlook decelerated sharply during the fourth quarter, yet a majority of firms still reports constant levels of spending.
* Employment deteriorated substantially.
* Inventories pose no immediate problem.
* Recent export performance is disconcerting.
* Inflation was a bright spot during Q4 - prices charged have stabilized; material costs fell; wages and salaries trends continued to moderate.
* Profit margins continue to contract, but at a slower pace.
* Current sales performance has matched or is above previous expectations at less than half of respondent firms. Profitability is below expectations.
* Seventy-seven percent of members surveyed say their 1991 business planning is based on a recession scenario.
* A majority of respondents feel that business prospects for 1991 have worsened as a result of the Persian Gulf Crisis.

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Demand growth slowed substantially in the fourth quarter, as the Net Rising Index fell nineteen points. The Index had been fluctuating in a narrow band through 1989 and into the first half of 1990, and the recent sharp deceleration represents the first negative trend since the last recession. Of all respondents, 25.0% reported rising unit demand, more than seven points below last time. Demand fell at 43.5% of our panelists firms, up from 33.3% in Q3. The Net Rising Index (percent rising minus percent falling) fell to -18.5% from -1.0%. Chart 1 shows that, while unit demand growth had been decelerating since mid-1987, the pace of deceleration picked up substantially during the second half of 1990.

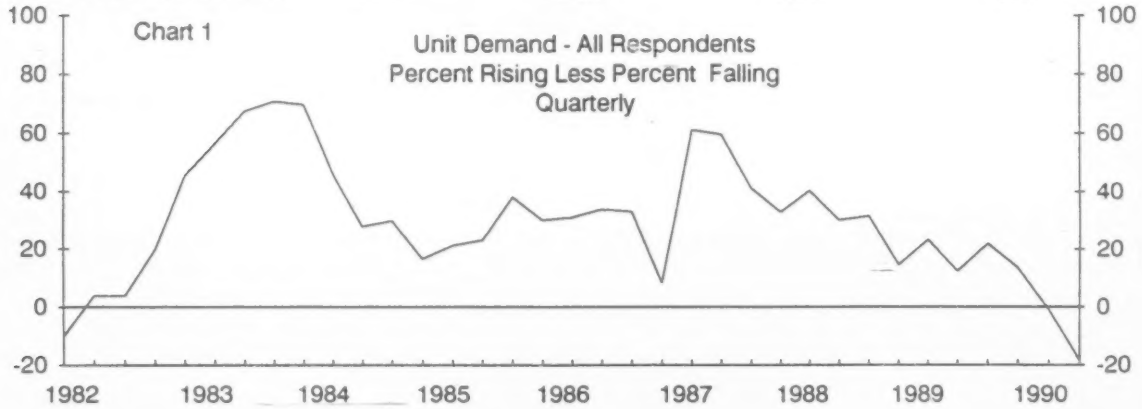
Demand growth decelerated in all three industry groupings. The percentage of goods producers that said demand was rising fell by over 6 points during the quarter, and those saying that demand was falling increased by almost 20 points. The result was a 26 point drop in the Net Rising Index for the goods-producing sector to -52.5%, a level not seen since 1982 (Chart 2). The index for the transportation, utilities, and communications sector also fell substantially, while financial services improved slightly. The goods-producing sector remains the weakest in terms of unit demand.

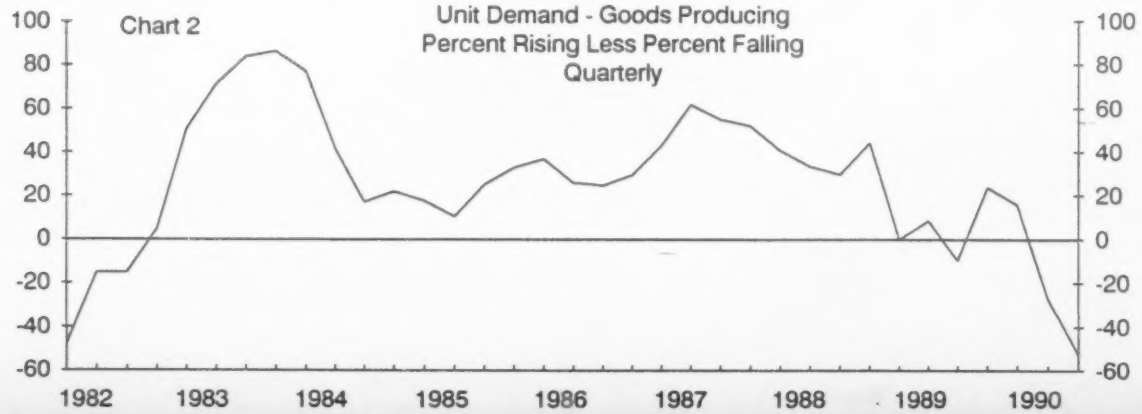
Percent of Total Respondents Reporting that Demand is:

Survey Month	Rising	Staying the Same	Falling	Net Rising
December '90	25.0%	31.5%	43.5%	-18.5%
September '90	32.4	34.3	33.3	-1.0
July '90	39.4	34.9	25.7	13.8

Percent Reporting that Demand is:

Sector	Rising	Staying the Same	Falling	Net Rising
Total	25.0%	31.5%	43.5%	-18.5%
Goods-Producing	12.5	22.5	65.0	-52.5
TUC	33.3	40.0	26.7	6.7
Financial Services	34.6	26.9	38.5	-3.8



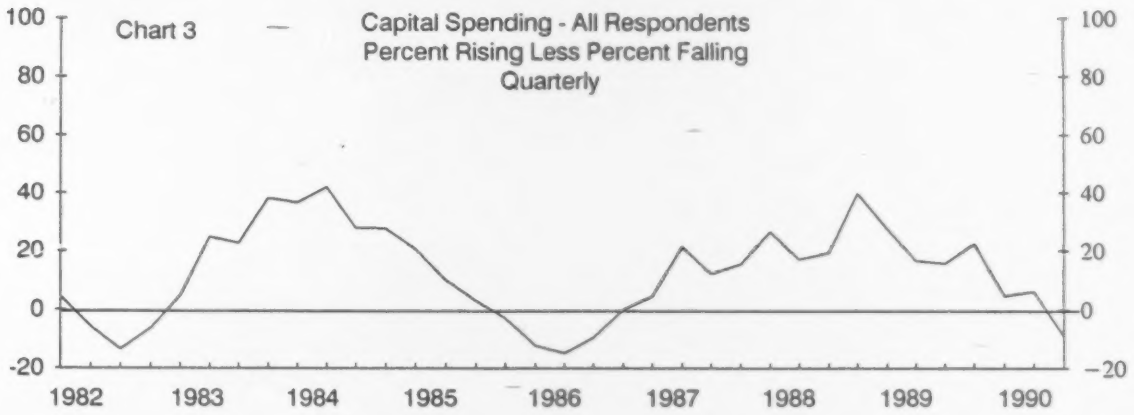


Capital Spending

Capital spending growth at member companies followed the lead of unit demand and decelerated sharply during the fourth quarter. Only about 18% of all respondents reported increased expenditures, while about 27% said spending was down. The majority still continues to report relatively constant levels of investment spending. The Net Rising Index decreased by 14.8 points during Q4 to -8.7% (Chart 3). In the goods-producing sector, the Net Rising Index fell sharply to -15.8% from 5.9% in Q3. This large decline was accompanied by an equally sharp fall off in the Net Rising Index for financial services, down to -8.3% from 27.3% in Q3. Despite the decline in the goods-producing index, over 70% of our manufacturing members are reporting constant or rising capital expenditures.

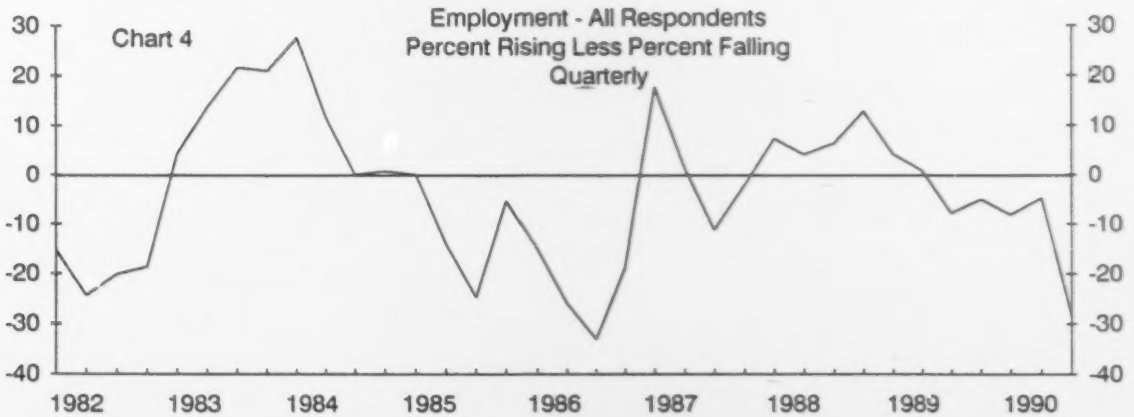
Percent Reporting that Real Capital Spending is:

Survey Month	Rising	Staying the Same	Falling	Net Rising
December '90	18.4%	54.4%	27.2%	-8.7%
September '90	28.3	49.5	22.2	6.1
July '90	22.6	59.4	17.9	4.7



Employment

Employment deteriorated during the fourth quarter, in total and across all three industry groupings. The Net Rising Index fell substantially to -28.4%, down from -4.8% in Q3 (Chart 4), an indication that hiring plans are anything but robust. Even so, over half of responding companies (55%) are still reporting stable employment levels.



Inventories

Overall satisfaction with inventory levels hasn't changed much over the past quarter. Of all respondents, 68.9% said that stock levels were "about right", up from the Q3 reading of 58.3%. For the 31.1% who were unhappy with current levels, 26.7% said stocks were too high, and 4.4% felt stocks were low. Chart 5 points out that goods producers let inventories erode during the fourth quarter as the Net Rising Index fell to 11.1% from 13.8% in Q3. It is clear that inventory policies remain quite stable, one of the few bright stops in an otherwise dismal report.

Export Performance

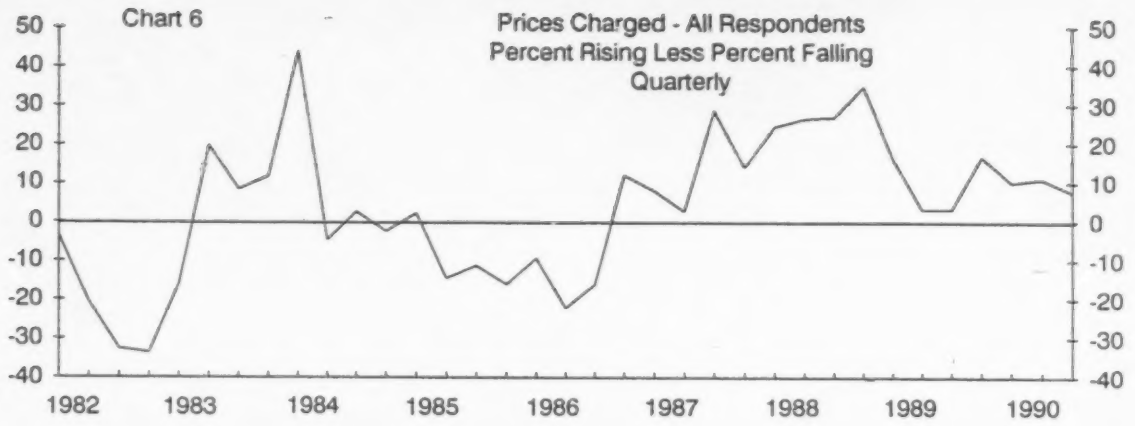
The vast majority of respondent firms do not export, but for those that do, a growing number report falling exports. In the third quarter, the Net Rising Index stood at 13.9% with 16.7% of firms reporting falling exports. The Index fell to 11.8% during Q4, as a slight rise in reports of rising exports was more than offset by an increase in those reporting falling exports. For those of us looking to exports as one of the few positives for future U.S. economic growth, this apparent trend is disconcerting.

	Percentage of Exporters Whose Exports are:			
Survey Month	Rising	Staying the Same	Falling	Net Rising
December '90	32.4%	47.1%	20.6%	11.8%
September '90	30.6	52.8	16.7	13.9
July '90	43.9	56.1	0.0	43.9

Prices and Costs

From a product price standpoint, the inflation picture continued to moderate during the fourth quarter as the Net Rising Index fell to 7.6% (Chart 6). Of the 25.7% reporting price increases, 42.3% said that prices had accelerated during the fourth quarter. This was a slight decrease from the 40% reporting acceleration in Q3.

	Percentage Reporting Their Prices are:			
Survey Month	Increasing	Unchanged	Falling	Net Rising
December '90	25.7%	56.2%	18.1%	7.6%
September '90	23.0	65.0	12.0	11.0
July '90	23.1	63.9	13.0	10.2



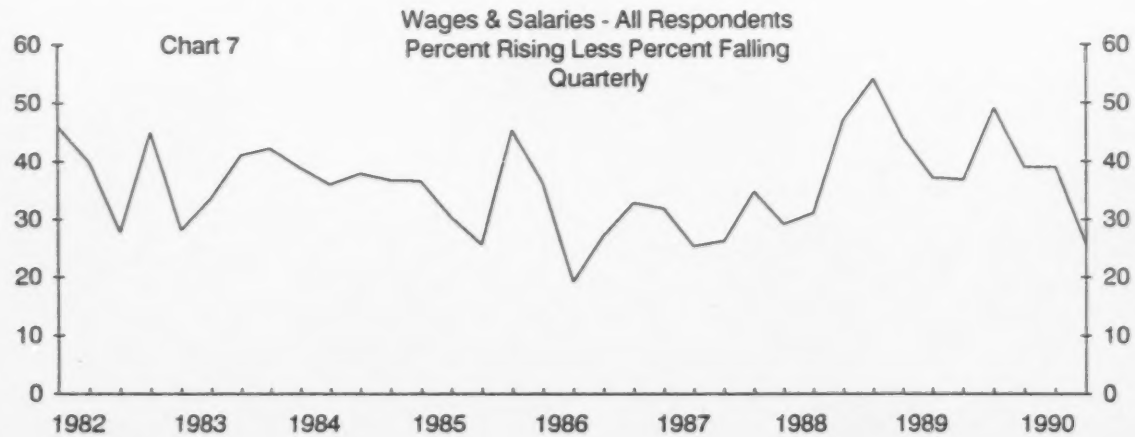
On the material cost side, the inflation picture brightened rather dramatically during Q4. The Net Rising Index fell to 24.4 from 50.7% in Q3, as those reporting rising material costs fell to 41% and those reporting falling costs rose to 16.7%. Recent changes in "people costs" helped to invigorate this positive trend. The Net Rising Index for wage and salary growth fell to 25.7% from 39% in Q3 (Chart 7).

Percent Reporting that Material Costs are:

Survey Month	Rising	Unchanged	Falling	Net Rising
December '90	41.0%	42.3%	16.7%	24.4%
September '90	53.7	43.3	3.0	50.7
July '90	32.4	54.4	13.2	19.1

Percent Reporting Wages & Salaries:

Survey Month	Rising	Unchanged	Falling	Net Rising
December '90	30.3%	65.1%	4.6%	25.7%
September '90	40.0	59.0	1.0	39.0
July '90	40.0	59.0	1.0	39.0



Shortages

Reports of capital goods and materials shortages remain minimal. Skilled labor tightness remains the only category of significance. Overall, changes are insignificant.

Percent Reporting Shortages in Survey Month:

Type of Input	Mar.'90	Jul.'90	Sep.'90	Dec.'90
Skilled Labor	28.8%	28.9%	24.7%	15.1%
Unskilled Labor	8.7	7.2	6.7	2.2
Intermediate Inputs	2.9	6.2	1.1	3.2
Raw Material Inputs	3.8	3.1	6.7	3.2
Capital Goods	1.9	0.0	2.2	0.0
No Shortages	59.6	61.9	64.0	77.4

Profits

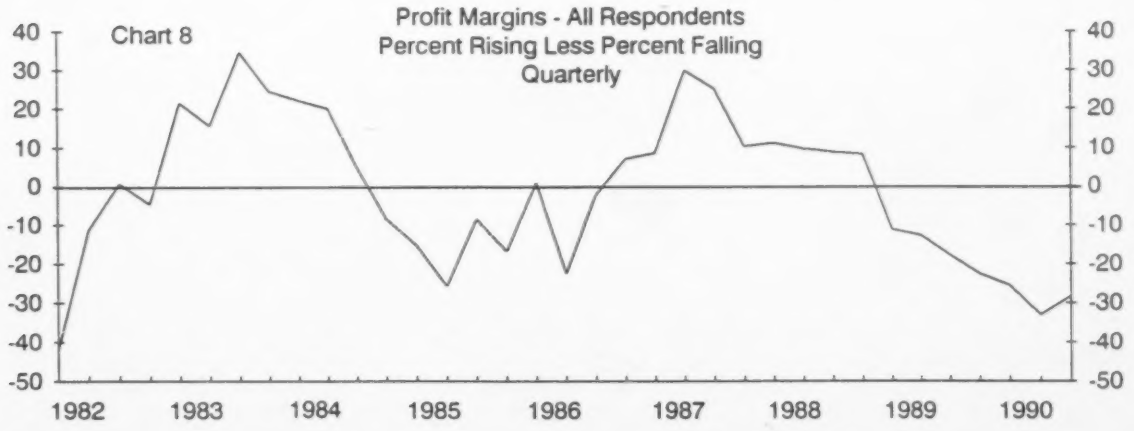
Profit margins improved during Q4, as the rate of decline decelerated (Chart 8). The percentage reporting rising profitability increased to 19.6%, while reports of falling profits fell to 47.7%. As a result, the Net Rising Index rose to -28%, its first improvement since 1987. Goods producers regained the lead as the sector with the fastest falling profitability, as the Net Rising Index fell to -47.5%. Margins in the goods-producing sector have been declining consistently over the past three years (Chart 9).

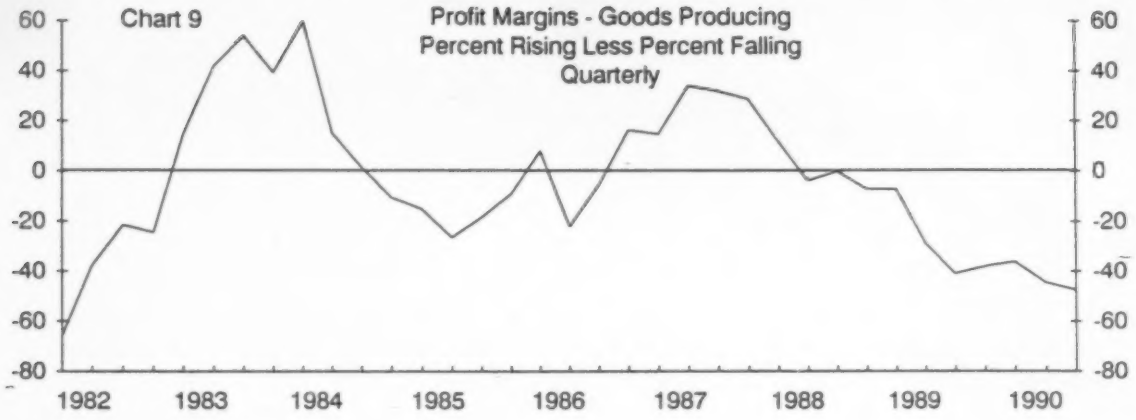
Percent of all Respondents Reporting that Margins are:

Survey Month	Rising	Unchanged	Falling	Net Rising
December '90	19.6%	32.7%	47.7%	-28.0%
September '90	16.5	34.0	49.5	-33.0
July '90	15.1	44.3	40.6	-25.5

Percent Reporting that Profit Margins are:

Sector	Rising	Unchanged	Falling	Net Rising
Total	19.6%	32.7%	47.7%	-28.0%
Goods-Producing	12.5	27.5	60.0	-47.5
TUC	21.4	39.3	39.3	-17.9
Financial Services	37.0	22.2	40.7	-3.7





Special Questions

Three special questions in the December survey centered on current business performance and future expectations. *The first question* asked panelists to compare 1990 year-to-date financial performance to earlier expectations. *Current sales* performance was equal to or above previous expectations for about 49% of respondents, a six percentage point decline from September's survey. However, the distribution of responses varies substantially by sector, with goods producers generally performing below expectations. *Profit performance* fell below expectations for the majority of respondents (58.5%), as the majority of firms in all categories are experiencing sub-par profitability.

		Sector		
Sales Expectations	Total	Goods Producing	Transport. Utilities & Comm.	Financial Services
Above	17.5%	10.0%	16.7%	23.1%
Equal to	31.5	30.0	36.7	30.7
Below	51.0	60.0	46.6	46.2

		Sector		
Profit Expectations	Total	Goods Producing	Transport. Utilities & Comm.	Financial Services
Above	17.0%	12.8%	20.7%	23.0%
Equal to	24.5	17.9	27.6	23.1
Below	58.5	69.3	51.7	53.9

A *second question* asked our panel to describe the *economic scenario underlying business plans through 1991*. In general, almost 77% of respondents expected some type of recession, up from 44% in September. Goods producers were more pessimistic, as almost 82% foresee a business downturn. Less than 6% of all firms see reacceleration anytime soon.

Growth Expectations	Total	Sector: Goods Producing	Sector: Transport. Utilities & Comm.	Sector: Financial Services
Ave. or Severe Recession	20.4%	15.4%	16.7%	33.3%
Mild Recession	56.5	66.7	46.7	48.1
Sluggish Growth	14.8	5.1	30.0	11.1
Gradual Reacceleration	5.6	7.7	3.3	7.4
Other	2.7	5.2	3.3	0.0

The *last question* asked about the impact the Persian Gulf Crisis has had on key performance measures at respondent firms. A majority (53.2%) feels that business prospects for 1991 have worsened as a result of the conflict.

Business Prospects	Total	Persian Gulf Impact on: Goods Producing	Persian Gulf Impact on: Transport. Utilities & Comm.	Persian Gulf Impact on: Financial Services
Improved	5.5%	7.5%	6.7%	3.7%
Worsened	53.2	67.5	63.3	37.0
Little Impact	41.3	25.0	30.0	59.3

The extent to which this turnaround has affected key variables is summarized below.

	Persian Gulf Impact on: Increase	Reduce	Little or No Impact
Sales Volume	8.3%	54.6%	37.0%
Product Prices	28.2	15.5	56.3
Export Prices	9.6	4.1	86.3
Energy Prices	78.0	3.0	19.0
Material Costs	52.0	5.1	42.9
People Costs	9.0	10.0	81.0
Market Share	13.1	10.1	76.8

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NABE Industry Survey

NABE MEMBERS REPORT INDUSTRY CONDITIONS MIXED, BUT BRIGHTENING

April 1991

This report presents the responses of over 100 NABE members to a survey on business conditions in their firm or industry in early April. This survey is one of three taken regularly by NABE; the other inquiries are the NABE Outlook and the NABE Policy Survey. For NABE membership information contact the address below.

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Weyerhaeuser Company
Vice President, NABE

Thomas F. Davis
Chief Economist
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NABE Public Affairs Committee

Highlights

* Demand growth in the first quarter showed signs of improvement.
* The capital spending outlook continued to deteriorate during the first quarter, yet a majority of firms still report constant levels of spending.
* Hiring plans continue to be lackluster, but over half of respondents are maintaining stable levels of employment.
* Inventories pose no immediate problem.
* Exports are on the rise, a reassuring signal for those anticipating a near-term turnaround.
* Inflation continued to be a bright spot during Q1 - prices charged have stabilized and material costs fell.
* Profit margins continue to contract, but at a slower pace.
* Current sales performance has matched or is above previous expectations at less than half of respondent firms. Profitability also is below expectations.
* Fifty-two percent of members surveyed expect that some type of recession will dominate their near-term planning cycle, down from 77% in Q4. Thirty-five percent see reacceleration in the near term.

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Unit Demand

Demand growth showed signs of rebounding in the first quarter. The Net Rising Index improved by about 10 points, substantially better than the large falloff experienced in the fourth quarter of 1990. The Index had been deteriorating through most of 1990. Of all respondents, 28.0% reported rising unit demand, three points above last time. Demand fell at 36.4% of our panelists firms, down from 43.5% in Q4. As a result, the Net Rising Index (percent rising minus percent falling) rose to -8.4% from -18.5%. Chart 1 shows that the ten-point turnaround in unit demand may indicate that the cyclical trough for this series is at hand.

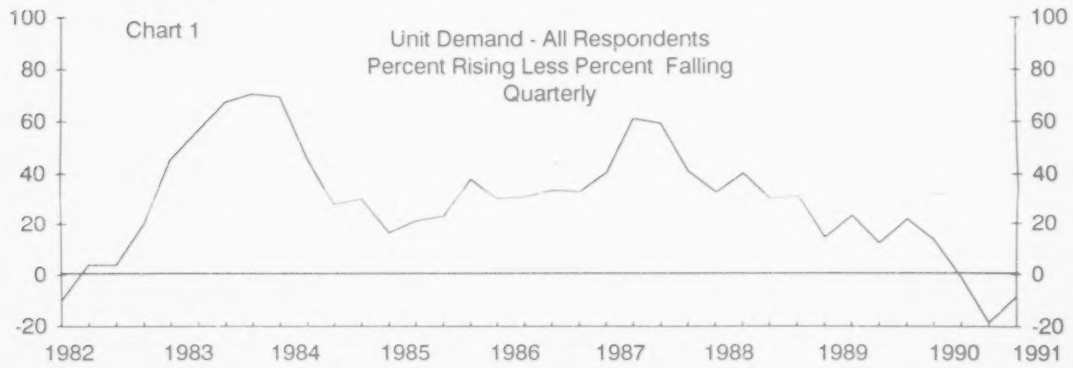
Demand growth was a mixed bag across industry groupings. The percentage of goods producers that said demand was rising increased by about 7 points during the quarter, and those saying that demand was falling fell by almost 15 points. The result was a 22 point gain in the Net Rising Index for the goods-producing sector to -30.6% (Chart 2). The apparent reversal in the direction of this indicator lends support to those who suggest that a near-term improvement in manufacturing is imminent. The index for the transportation, utilities, and communications sector weakened substantially during the first quarter, while financial services improved. Despite recent improvements, the goods-producing sector remains the weakest in terms of unit demand.

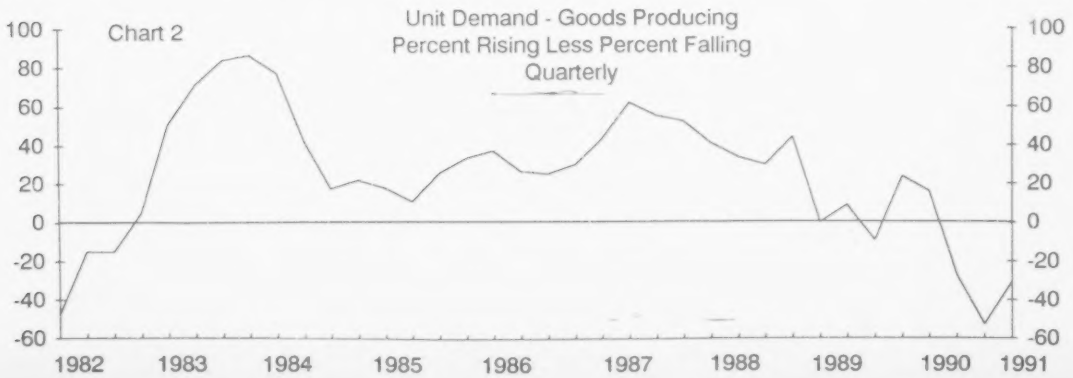
Percent of Total Respondents Reporting that Demand is:

Survey Month	Rising	Staying the Same	Falling	Net Rising
March '91	28.0%	35.5%	36.4%	-8.4%
December '90	25.0	31.5	43.5	-18.5
September '90	32.4	34.3	33.3	-1.0

Percent Reporting that Demand is:

Sector	Rising	Staying the Same	Falling	Net Rising
Total	28.0%	35.5%	36.4%	-8.4%
Goods-Producing	19.4	30.6	50.0	-30.6
TUC	25.9	33.3	40.7	-14.8
Financial Services	34.5	37.9	27.6	6.9





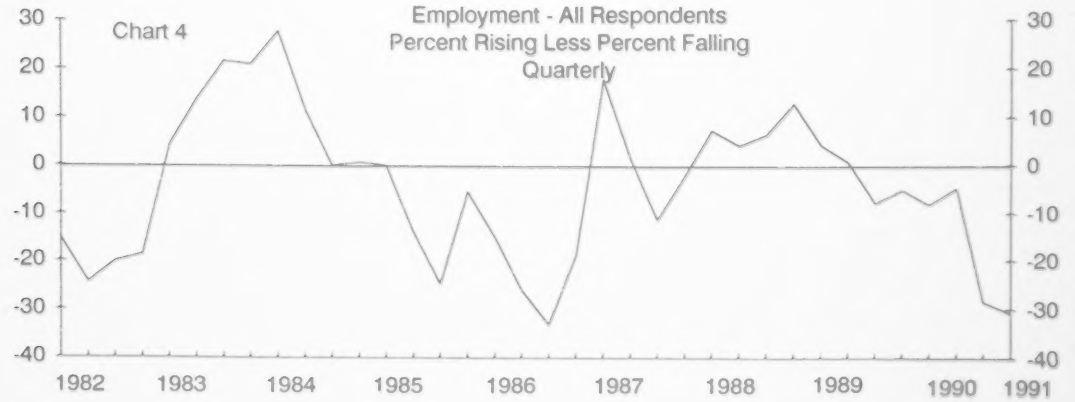
Capital Spending

Capital spending growth at member companies continued to deteriorate during the first quarter. Only about 17% of all respondents reported increased expenditures, while about 29% said spending was down. Even so, the majority still continues to report relatively constant levels of investment spending. The Net Rising Index decreased by 2.5 points during Q1 to -11.2% (Chart 3). In the goods-producing sector, the Net Rising Index fell sharply to -27.3% from -15.8% in Q4. This large decline was accompanied by an equally sharp falloff in the Net Rising Index for transportation, utilities, and communications sector, down to -18.5% from -3.4% in Q4. Despite the decline in the goods-producing index, about 67% of our manufacturing members are reporting constant or rising capital expenditures.

	Percent Reporting that Real Capital Spending is:			
Survey Month	Rising	Staying the Same	Falling	Net Rising
March '91	17.3%	54.1%	28.6%	-11.2%
December '90	18.4	54.4	27.2	-8.7
September '90	28.3	49.5	22.2	6.1

Employment

Employment continued to deteriorate during the first quarter, in total and especially among goods producers. The Net Rising Index fell to -30.8%, down from -28.4% in Q4 (Chart 4), an indication that hiring plans are anything but robust. Even so, over half of responding companies (54%) are still reporting stable employment levels.



Inventories

Overall satisfaction with inventory levels shifted substantially over the past quarter. Of all respondents, 53.1% said that stock levels were "about right", down from the Q4 reading of 68.9%. For the 46.9% who were unhappy with current levels, 40.8% said stocks were too high, and 6.1% felt stocks were low. Consistent with this view, Chart 5 points out that goods producers let inventories erode during the first quarter as the Net Rising Index fell to 9.4% from 11.1% in Q4. Continued balancing of sales and inventory patterns among goods producers bodes well for a near-term recovery.

Export Performance

The vast majority of respondent firms do not export, but for those that do, a growing number report increasing exports. In the fourth quarter, the Net Rising Index stood at 11.8% with 20.6% of firms reporting falling exports. The Index rose sharply to 35.1% during Q1, as a significant rise in reports of rising exports was complemented by a decrease in those reporting falling exports. For those of us looking to exports as one of the few positives for future U.S. economic growth, this emerging trend is reassuring.

	Percentage of Exporters Whose Exports are:			
Survey Month	Rising	Staying the Same	Falling	Net Rising
March '91	45.9%	43.2%	10.8%	35.1%
December '90	32.4	47.1	20.6	11.8
September '90	30.6	52.8	16.7	13.9

Prices and Costs

From a product price standpoint, the inflation picture continued to improve during the first quarter as the Net Rising Index fell to 5.7% (Chart 6). Of the 23.6% reporting price increases, only 18.3% said that prices had accelerated during the first quarter. This was a substantial decrease from the 42.3% reporting acceleration in Q4.

	Percentage Reporting Their Prices are:			
Survey Month	Increasing	Unchanged	Falling	Net Rising
March '91	23.6%	58.5%	17.9%	5.7%
December '90	25.7	56.2	18.1	7.6
September '90	23.0	65.0	12.0	11.0

On the material cost side, the inflation picture brightened rather dramatically during Q1. The Net Rising Index fell to -22.2% from 24.4% in Q4, a 46.6 point swing. Reports of rising material costs fell to 12.5% and reports of falling costs rose to 34.7%. Recent changes in "people costs" helped offset this good news. The Net Rising Index for wage and salary growth increased to 34.3% from 25.7% in Q4 (Chart 7).

Percent Reporting that Material Costs are:

Survey Month	Rising	Unchanged	Falling	Net Rising
March '91	12.5%	52.8%	34.7%	-22.2%
December '90	41.0	42.3	16.7	24.4
September '90	53.7	43.3	3.0	50.7

Percent Reporting Wages & Salaries:

Survey Month	Rising	Unchanged	Falling	Net Rising
March '91	35.3%	63.7%	1.0%	34.3%
December '90	30.3	65.1	4.6	25.7
September '90	40.0	59.0	1.0	39.0

Shortages

Reports of capital goods and materials shortages remain minimal. Skilled labor tightness remains the only category of significance. Overall, changes are minimal.

Percent Reporting Shortages in Survey Month:

Type of Input	Jul.'90	Sep.'90	Dec.'90	Mar.'91
Skilled Labor	28.9%	24.7%	15.1%	15.3%
Unskilled Labor	7.2	6.7	2.2	1.0
Intermediate Inputs	6.2	1.1	3.2	3.1
Raw Material Inputs	3.1	6.7	3.2	3.1
Capital Goods	0.0	2.2	0.0	2.0
No Shortages	61.9	64.0	77.4	77.6

Profits

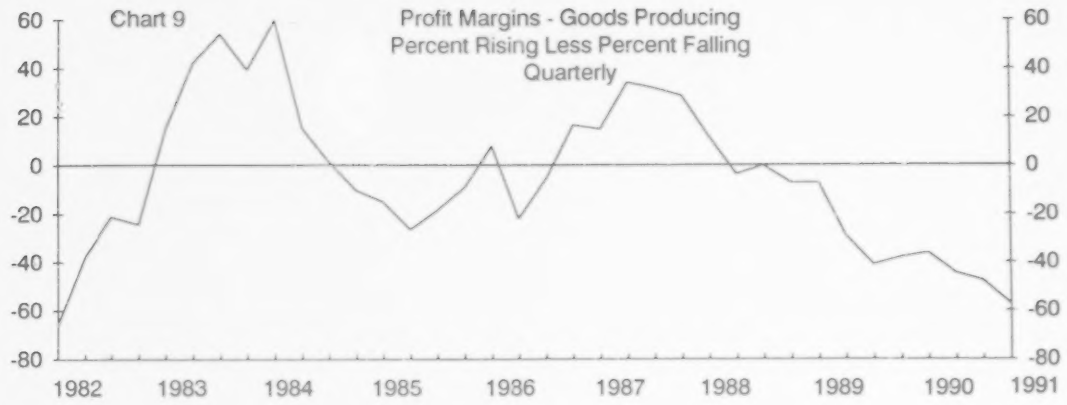
The outlook for profits improved slightly during Q1, as the rate of decline decelerated (Chart 8). The percentage of firms reporting rising profitability fell slightly to 17.3%, while reports of falling profits also fell, to 43.3%. As a result, the Net Rising Index rose to -26%, a continuation of the improvement trend begun last year. At the sector level, all of the improvement in Q1 profitability was generated by financial services, as its Net Rising Index improved by 18 points. Profits in the other two sectors deteriorated sharply during Q1. Note that margins in the goods-producing sector have been declining consistently over the past three years (Chart 9).

Percent of all Respondents Reporting that Margins are:

Survey Month	Rising	Unchanged	Falling	Net Rising
March '91	17.3%	39.4%	43.3%	-26.0%
December '90	19.6	32.7	47.7	-28.0
September '90	16.5	34.0	49.5	-33.0

Percent Reporting that Profit Margins are:

Sector	Rising	Unchanged	Falling	Net Rising
Total	17.3%	39.4%	43.3%	-26.0%
Goods-Producing	11.4	20.0	68.6	-57.1
TUC	11.5	50.0	38.5	-26.9
Financial Services	32.1	50.0	17.9	14.3



Special Questions

Two special questions in the March survey centered on current business performance and future expectations. The first question asked panelists to compare 1991 year-to-date financial performance with earlier expectations. First quarter *sales performance* was equal to or above previous expectations for about 46% of respondents. However, the distribution of responses varied substantially by sector, with non-financial sectors generally performing below expectations. *Profit performance* followed the example set by sales.

		Sector		
Sales Performance vs Expectations	Total	Goods Producing	Transport. Utilities & Comm.	Financial Services
Above	19.1%	11.4%	7.4%	32.1%
Equal to	26.7	22.9	18.5	35.7
Below	54.2	65.6	74.1	32.1

		Sector		
Profit Performance vs Expectations	Total	Utilities & Producing	Transport. Financial Comm.	Services
Above	15.4%	8.6%	3.8%	32.1%
Equal to	31.7	20.0	34.6	42.9
Below	52.8	71.4	61.5	25.0

A second question asked our panel to describe the economic scenario underlying business plans into 1992. In general, almost 52% of respondents expected that some type of recession would dominate the near-term planning cycle, down from 77% in December. Goods producers were

slightly more pessimistic, as about 57% foresee a continuation of the current business downturn. On a more positive note, about 35% of all respondents expect some type of reacceleration in economic growth to occur.

		Sector		
Growth Expectations	Total	Goods Producing	Transport. Utilities & Comm.	Financial Services
Ave. or Severe Recession	16.0%	14.3%	22.2%	17.2%
Mild Recession	35.8	42.9	22.2	41.4
Sluggish Growth	13.2	8.6	14.8	17.2
Gradual Reacceleration	28.3	31.4	29.6	20.7
Other	6.6	2.9	11.1	3.4

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NABE Industry Survey

NABE MEMBERS REPORT SUBSTANTIAL DEMAND IMPROVEMENT

July 1991

This report presents the responses of over 65 NABE members to a survey on business conditions in their firm or industry in late June and early July. This survey is one of three taken by NABE; the other inquiries are the NABE Outlook and the NABE Policy. For NABE membership information contact the address below.

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Weyerhaeuser Company
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Thomas F. Davis
Chief Economist
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Highlights

* Demand growth in the second quarter showed substantial improvement.
* The capital spending outlook continued to deteriorate during the second quarter, yet signs of near-term improvement are surfacing.
* Hiring plans continue to be lackluster, yet signs of recovery are beginning to emerge.
* Inventory liquidation patterns provide solid support for continued recovery.
* Exports growth has flattened, a potentially worrisome sign.
* Inflation continued to be a bright spot during Q2 - prices charged were relatively stable.
* Profit margins continue to show signs of improvement.
* Current sales performance has matched or is above previous expectations at less than half of respondent firms. Profitability also is below expectations.
* Only 26% of members surveyed expect that some type of recession will dominate the near-term planning cycle, down from 52% in Q1. Thirty-four percent see reacceleration in the near term.

Unit Demand

Demand growth continued to rebound in the second quarter. The Net Rising Index (percent rising minus percent falling) improved by about 16 points, turning positive for the first time in a year. The Index had been deteriorating through most of 1990. Of all respondents, 27.0% reported rising unit demand,

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slightly below last time. Demand fell at 19.0% of our panelists firms, down from 36.4% in Q1. As a result, the Net Rising Index rose to 7.9% from -8.4%. Chart 1 shows that the double-digit turnaround in unit demand clearly establishes that the fourth quarter was the cyclical trough for this series.

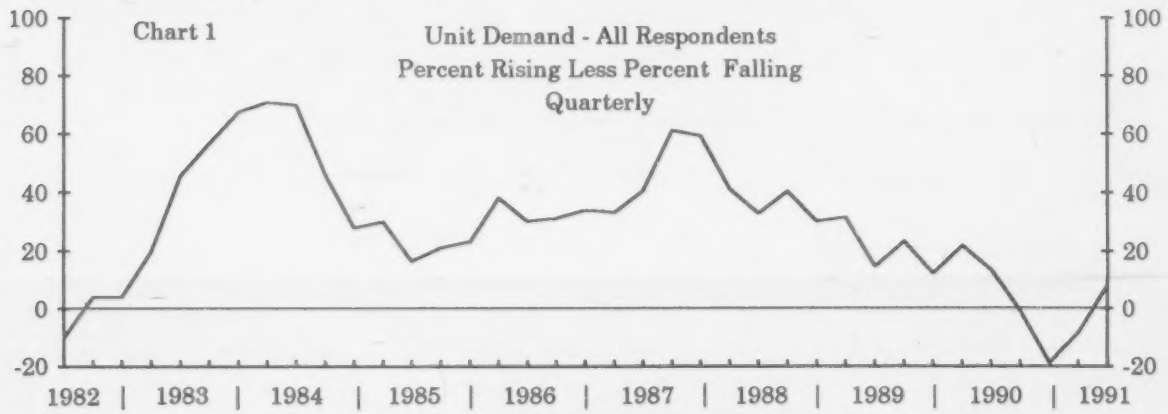
Demand growth trends were positive across industry groupings. The percentage of goods producers that said demand was rising increased by about 6 points during the quarter, and those saying that demand was falling fell by almost 21 points. The result was a 26 point gain in the Net Rising Index for the goods-producing sector to -4.2% (Chart 2). The recent reversal in the direction of this indicator lends support to those who suggest continuing improvement in manufacturing. The index for the transportation, utilities, and communications sector also improved substantially during the second quarter, while financial services was rather stagnant. Despite recent improvements, the goods-producing sector remains the weakest in terms of unit demand.

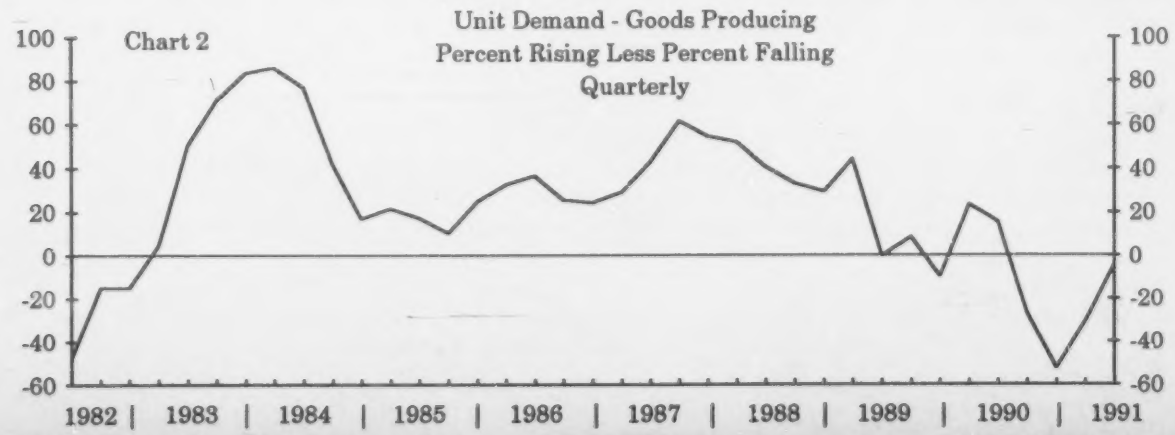
Percent of Total Respondents Reporting that Demand is:

Survey Month	Rising	Staying the Same	Falling	Net Rising
June '91	27.0%	54.0%	19.0%	7.9%
March '91	28.0	35.5	36.4	-8.4
December '90	25.0	31.5	43.5	-18.5

Percent Reporting that Demand is:

Sector	Rising	Staying the Same	Falling	Net Rising
Total	27.0%	54.0%	19.0%	7.9%
Goods-Producing	25.0	45.8	29.2	-4.2
TUC	21.4	71.4	7.1	14.3
Financial Services	26.7	53.3	20.0	6.7



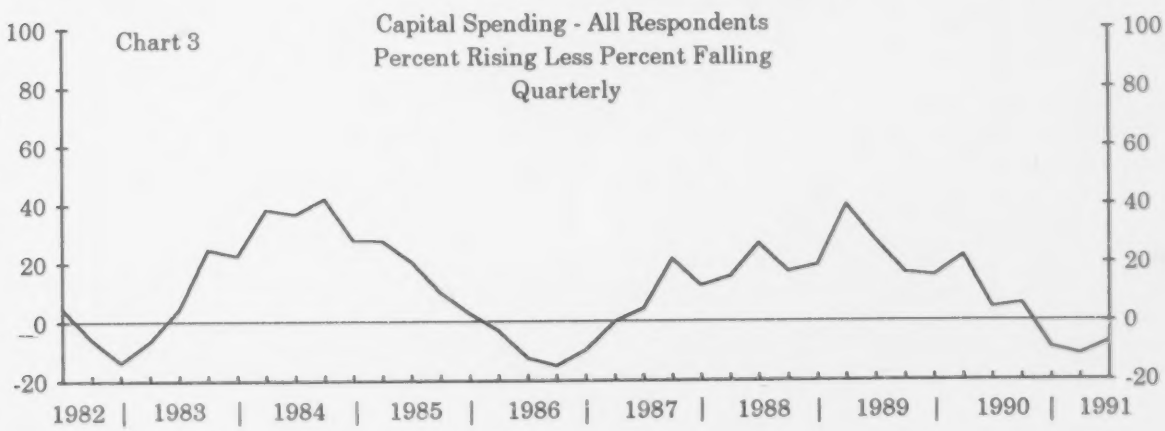


Capital Spending

Capital spending growth at member companies continued to deteriorate during the second quarter, but at a slower pace. Only about 19% of all respondents reported increased expenditures, while about 26% said spending was down. Even so, the majority still continues to report relatively constant levels of investment spending. Note also that the trend in capital spending has turned positive as the Net Rising Index increased by 4.3 points during Q2 to -6.9% (Chart 3). In the goods-producing sector, the Net Rising Index improved dramatically to -4.8% from -27.3% in Q1. This large increase was accompanied by an equally sharp falloff in the Net Rising Index for the financial services, down to -7.1% from 12.5% in Q1. Associated with the improvement in the goods-producing index, about 71% of our manufacturing members are reporting constant or rising capital expenditures.

Percent Reporting that Real Capital Spending is:

Survey Month	Rising	Staying the Same	Falling	Net Rising
June '91	19.0%	55.2%	25.9%	-6.9%
March '91	17.3	54.1	28.6	-11.2
December '90	18.4	54.4	27.2	-8.7



Employment

Employment continued to deteriorate during the second quarter, in total and across all industry groups. Even so, the Net Rising Index improved slightly to -27.0%, up from -30.8% in Q1 (Chart 4). Hiring plans may be firming but are still anything but robust. About half of responding companies (49.2%) are still reporting stable employment levels.

Inventories

Overall satisfaction with inventory levels shifted substantially over the past quarter. Of all respondents, 58.6% said that stock levels were "about right", up from the Q1 reading of 53.1%. For the 41.4% who were unhappy with current levels, only 24.1% said stocks were too high, and 17.2% felt stocks were low. Consistent with this view, Chart 5 points out that goods producers let inventories erode substantially during the second quarter as the Net Rising Index fell to -60.0% from 9.4% in Q1. Continued balancing of sales and inventory patterns among goods producers bodes well for the budding recovery.

Export Performance

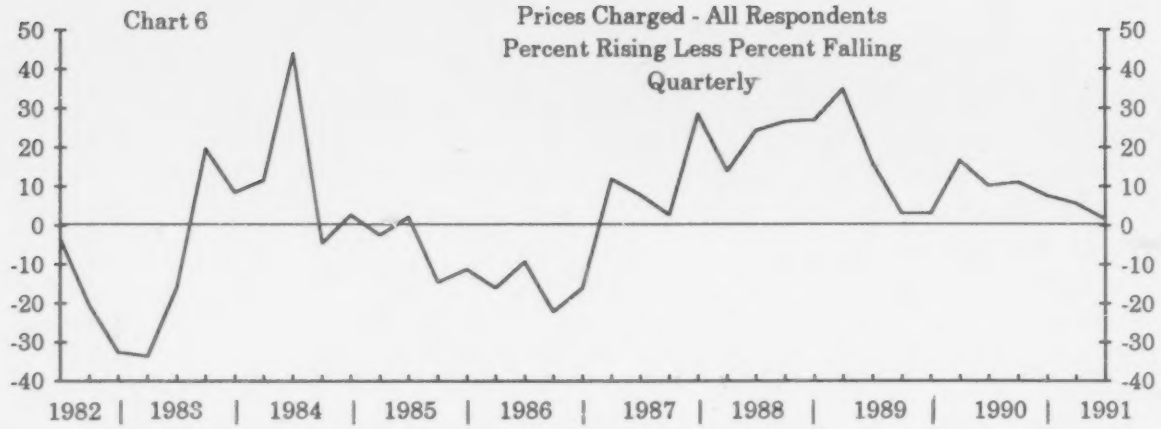
The vast majority of respondent firms do not export, but for those that do, a growing number report constant exports. In the first quarter, the Net Rising Index stood at 35.1% with 45.9% of firms reporting rising exports. The Index fell sharply to 20.8% during Q2, as a significant decline in reports of rising exports was complemented by flat reports of falling exports. For those of us looking to exports as a continued engine of growth for the U.S. economic, this emerging trend is disconcerting.

	Percentage of Exporters Whose Exports are:			
Survey Month	Rising	Staying the Same	Falling	Net Rising
June '91	29.2%	62.5%	8.3%	20.8%
March '91	45.9	43.2	10.8	35.1
December '90	32.4	47.1	20.6	11.8

Prices and Costs

From a product price standpoint, the inflation picture continued to improve during the second quarter as the Net Rising Index fell to 1.6% (Chart 6). Of the 25.0% reporting price increases, only 20.0% said that prices had accelerated during the first quarter. Conversely, for the 23.4% reporting falling prices, almost 29% noted an accelerating trend.

	Percentage Reporting Their Prices are:			
Survey Month	Increasing	Unchanged	Falling	Net Rising
June '91	25.0%	51.6%	23.4%	1.6%
March '91	23.6	58.5	17.9	5.7
December '90	25.7	56.2	18.1	7.6



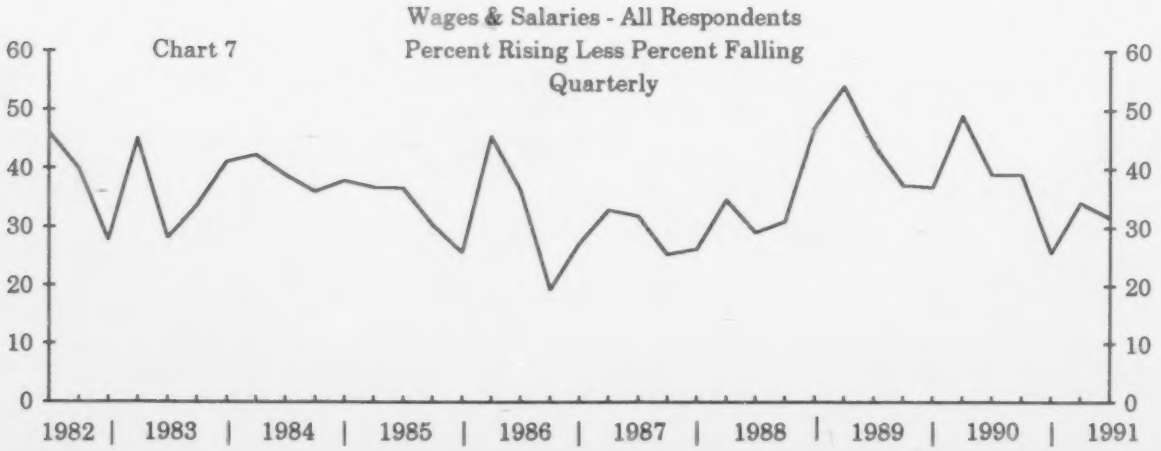
On the material cost side, the inflation picture continued to be bright during Q2. The Net Rising Index increased to -9.1% from -22.2% in Q1. Reports of rising material costs were still low even though they rose to 18.2%, and reports of falling costs fell to 27.3%. Recent changes in "people costs" helped augment this favorable trend. The Net Rising Index for wage and salary growth fell to 31.7% from 34.3% in Q1 (Chart 7).

Percent Reporting that Material Costs are:

Survey Month	Rising	Unchanged	Falling	Net Rising
June '91	18.2%	54.5%	27.3%	-9.1%
March '91	12.5	52.8	34.7	-22.2
December '90	41.0	42.3	16.7	24.4

Percent Reporting Wages & Salaries

Survey Month	Rising	Unchanged	Falling	Net Rising
June '91	35.0%	61.7%	3.3%	31.7%
March '91	35.3	63.7	1.0	34.3
December '90	30.3	65.1	4.6	25.7



Shortages

Reports of capital goods and materials shortages remain minimal. Skilled labor tightness remains the only category of significance. Overall, changes are minimal.

Percent Reporting Shortages in Survey Month:

Type of Input	Sep.'90	Dec.'90	Mar.'91	Jun.'91
Skilled Labor	24.7%	15.1%	15.3	24.6%
Unskilled Labor	6.7	2.2	1.0	5.3
Intermediate Inputs	1.1	3.2	3.1	1.8
Raw Material Inputs	6.7	3.2	3.1	7.0
Capital Goods	2.2	0.0	2.0	1.8
No Shortages	64.0	77.4	77.6	66.7

Profits

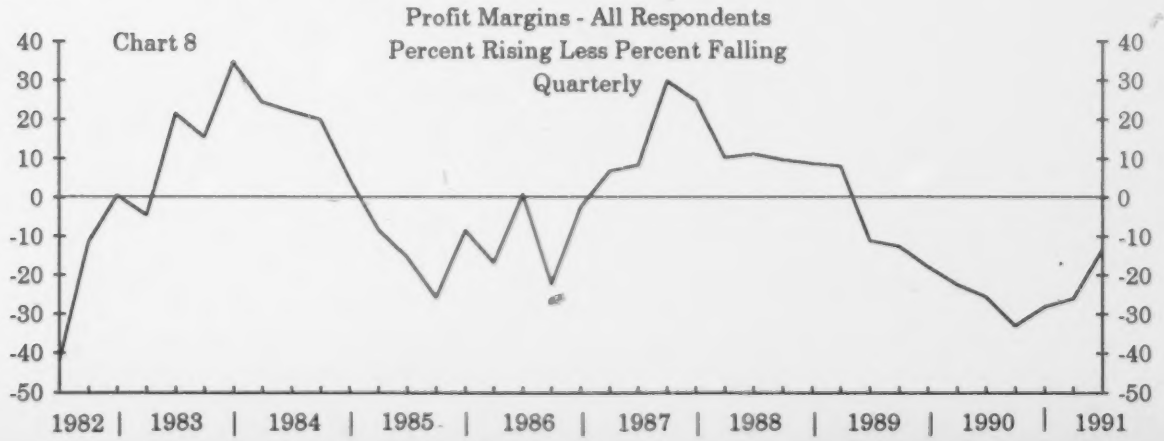
The outlook for profits improved markedly during Q2, as the rate of decline continued to decelerate (Chart 8). The percentage of firms reporting rising profitability increased to 26.7%, while reports of falling profits fell, to 40.0%. As a result, the Net Rising Index rose to -13.3%, a continuation of the improvement trend begun last year. At the sector level, most of the improvement in Q2 profitability was generated by goods producers, as its Net Rising Index improved by 16 points. Note that margins in the goods-producing sector had been declining consistently over the past three years (Chart 9). Profits in the other two sectors were mixed.

Percent of all Respondents Reporting that Margins are:

Survey Month	Rising	Unchanged	Falling	Net Rising
June '91	26.7%	33.3%	40.0%	-13.3%
March '91	17.3	39.4	43.3	-26.0
December '90	19.6	32.7	47.7	-28.0

Percent Reporting that Profit Margins are:

Sector	Rising	Unchanged	Falling	Net Rising
Total	26.7%	33.3%	40.0%	-13.3%
Goods-Producing	13.6	31.8	54.5	-40.9
TUC	23.1	30.8	46.2	-23.1
Financial Services	40.0	33.3	26.7	13.3



Special Questions

Two special questions in the June survey centered on current business performance and future expectations. The first question asked panelists to compare 1991 year-to-date financial performance to earlier expectations. Second quarter sales performance was equal to or above previous expectations for about 49% of respondents. However, the distribution of responses varied substantially by sector, with non-financial sectors generally performing below expectations. Profit performance followed the example set by sales.

Sales Performance vs Expectations	Total	Goods Producing	Utilities & Comm.	Financial Services
Above	18.4%	8.4%	14.3%	29.4%
Equal to	30.8	29.2	14.3	41.2
Below	50.7	62.5	71.4	29.4

		----------Sector----------		
Profit Performance vs Expectations	Total	Utilities & Producing	Transport. Financial Comm.	Services
Above	15.6%	4.3%	7.1%	29.4%
Equal to	26.6	17.4	35.7	35.3
Below	57.8	78.2	57.1	35.3

A second question asked our panel to describe the economic scenario underlying business plans into 1992. In general, about 26% of respondents expected that some type of recession would dominate the near-term planning cycle, down from 52% in March. Even goods producers have become more optimistic, as only about 21% foresee a continuation of the recent business downturn.

Note that sluggish growth is now the consensus. On a more positive note, about 34% of all respondents expect some type of reacceleration in economic growth to occur.

		Sector		
Growth Expectations	Total	Goods Producing	Transport. Utilities & Comm.	Financial Services
Ave. or Severe Recession	9.2%	8.3%	7.1%	11.8%
Mild Recession	16.9	12.5	28.6	17.6
Sluggish Growth	40.0	45.8	42.9	35.3
Gradual Reacceleration	21.5	33.3	14.3	17.6
Other	12.3	0.0	7.1	17.6

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